

Financial Aid Glossary

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Academic Year

The period in which school is in session - typically September through May.

Accrual Date

The date on which interest charges on an educational loan begin to accrue.

Adjusted Available Income

The remaining income after taxes and a basic living allowance have been subtracted (in the Federal Methodology).

Assets

Cash in checking and savings accounts, trusts, stocks, bonds, other securities, real estate (excluding home), income-producing property, business equipment, and business inventory. Considered in determining expected family contribution (EFC).

Asset Protection Allowance

The portion of parents' assets that are not included in the calculation of the parent contribution (calculated by Federal Methodology formula).

Assistantship

A type of student employment; usually refers to a student teaching or research position.

Associate Degree

A two-year college degree.

Award Letter

Official letter from the college financial aid office that lists all the financial aid awarded to the student.

Bachelor's Degree

A four-year college degree.

Budget

The estimated cost of attendance for a student at an institution: typically includes tuition, fees, books, supplies, room, board, personal expenses and transportation.

Bursar's Office

The university office responsible for the billing and collection of university charges.

Campus-Based Programs

U.S. Department of Education federal student aid programs administered by colleges and universities. Includes: Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant (FSEOG) and Federal Work-Study (FWS).

Central Processing System (CPS)

The computer system that receives the student's need analysis data. The Central Processing System performs database matches and calculates the official Expected Family Contribution (EFC) and sends out the Student Aid Report (SAR).

Collateral

Property used to secure a loan which can be seized if the borrower defaults on a loan.

Commercial Lender

A commercial bank, savings and loan association, credit union, stock savings bank, trust company or mutual savings bank.

Commuter Student

A student who lives at home and travels to school.

Consolidation Loan

Loan that allows borrowers to lower their monthly payments by replacing their original loans with one loan. Consolidation loans typically have longer repayment periods and greater interest.

Cooperative Education (Co-op)

Many college programs offer paid opportunities to gain professional, full-time work experience while enrolled in college.

Cosigner

Individual who assumes responsibility for a loan if the borrower fails to repay.

Cost of Attendance

Also known as the budget, it includes tuition and fees, room and board, allowances for books and supplies, transportation, and personal and incidental expenses.

Custodial Parent

In cases where a student's parents are divorced or separated, the custodial parent is the parent with whom the student lived the most during the past 12 months.

Default

Failure to repay or otherwise meet the terms and condition of a loan. Default typically occurs after six months of delinquent payments. Penalties include a bad credit rating, loss of future financial aid eligibility, withholding of tax refunds, garnishing wages and loss of monthly payment options.

Deferment of Loan

Period during which the repayment of the loan is suspended because the borrower meets certain eligibility requirements (e.g., enrolled in college at least half time).

Delinquency

Failure to make a scheduled loan payment.

Dependency Status

A student's dependency status determines the degree to which the student has access to parent financial resources. An independent student is at least 24 years old as of January 1, is married, is a graduate or professional student, has a legal dependent other than a spouse, is a U.S. Armed Forces veteran or is/was an orphan or ward of the court.

Direct Loans

A new federal program where the school becomes the lending agency and manages the loan funds directly, with the federal government providing the loan funds. Not all schools currently participate in this program.

Disbursement

The process by which financial aid funds are made available to students for use in meeting educational and related living expenses. Funds may be disbursed directly to the student, or applied to the student's account.

Early Action/Early Admission/Early Decision

An early action program has earlier deadlines and earlier notification dates than the regular admissions process. If accepted, students are not committed to attending that college. An early admission program allows exemplary high school juniors to skip their senior year and enroll directly in college. An early decision program has earlier deadlines and earlier notification dates than the regular admissions process and students who apply to an early decision program commit to attending the school if admitted (which means the student must accept the offer of admission before they see their financial aid package.)

Enrollment Status

Indication of whether student attends full or part time. Typically students must be enrolled at least half time (and in some cases full time) to qualify for financial aid.

Expected Family Contribution (EFC)

The dollar amount that a family is expected to pay toward a student's educational costs. EFC is based on family earnings, assets, students in college and family size.

FAFSA

Look under Free Application for Federal Student Aid.

Federal Direct Student Loan Program (FDSLP)

Loans provided by the U.S. government directly to students and their parents through their schools.

Federal Methodology

The need analysis formula used to determine a family's expected family contribution. The Federal Methodology considers family size, the number of family members in college, taxable and nontaxable income and assets.

Federal Processor

The Federal Processor is the organization that processes the information submitted on the Free Application for Federal Student Aid (FAFSA) and uses it to compute eligibility for federal student aid.

Federal Stafford Loan

Federally-guaranteed, low-interest rate for students. There are two types of Federal Stafford loans: subsidized (need-based) and unsubsidized (non-need-based). Both types allow deferment of payments until a student leaves school.

Federal Supplemental Educational Opportunity Grant (FSEOG)

These are federal grants for students with exceptional financial need (as determined by the college). Approximately five percent of undergraduates are recipients of FSEOG.

Federal Work-Study

Federally sponsored Work-Study (FWS) Program provides undergraduate and graduate students with school-year part-time employment. The Federal Government pays some of the student's salary, which helps departments and businesses pay for and ultimately hire students. Eligibility is based on financial need.

Fellowship

Financial aid for graduate students that does not need to be repaid. (Typically includes tuition and living expenses.)

Financial Aid Administrator

University employee responsible for preparing and communicating information about student loans, grants, scholarships and employment programs, and for advising, awarding, reporting, counseling and supervising student financial aid office functions.

Financial Aid Package

The total amount of financial aid a student receives, including grants, loans, and federal work-study. Unsubsidized Stafford loans and PLUS loans are not considered part of the package.

Financial Aid Transcript

A record of all financial aid awards a student received at other educational institutions.

Financial Need

The difference between the student's educational costs and the Expected Family Contribution.

Fixed Interest Loans

Interest rate stays the same for the life of the loan.

Forbearance

The approved temporary suspension of loan payments due to a financial hardship (interest continues to accrue).

Free Application for Federal Student Aid (FAFSA)

The application students must first complete to apply for virtually all forms of financial aid. Available by calling 1-800-4-FED-AID, and on the Web by following the links at <http://www.fafsa.ed.gov>.

Gift Aid

Grants and scholarships that do not need to be repaid.

Grace Period

The period after a student either graduates or leaves school and before loan payments must begin (typically six to nine months).

Grant

Financial aid that does not have to be paid back - typically based on financial need.

Guarantee Fee

A percentage of the loan that is paid to the guarantor to insure the loan against default. The fee is usually one percent of the loan amount.

Guarantor

A state agency or private, nonprofit organization that administers a student loan insurance program.

Home Equity

The current market value of the home minus the mortgage's unpaid principal (based on market value).

Income Contingent Repayment

The size of the monthly payments depends on the income earned by the borrower. As the borrower's income increases, so do payments.

Institutional Methodology

A formula some schools devise to determine financial need for allocating their own institutional financial aid funds.

Lender

A bank, credit union or other financial institution that provides funds to the student or parent for an educational loan.

Merit-based Aid

Financial aid based on academic, artistic, athletic or other merit-oriented criteria (not financial need).

Need Analysis

The process used by a college to evaluate an applicant's financial resources and determine how much the student or family can pay toward the cost of the education.

Need-Blind Admissions

The school decides whether to offer of admission to a student without considering the student's financial situation. Most schools use a need-blind admissions process.

Need-Sensitive Admissions

The school takes the student's financial situation into account for some admissions decisions. Some schools use need-sensitive admissions for borderline students.

Packaging

A financial aid administrator's attempt at combining various types of student aid (grants, loans, scholarship and employment) to attempt to meet a student's financial need.

Parents' Contribution

A quantitative estimate - calculated by the federal government - of the parents' ability to contribute to postsecondary educational expenses.

Pell Grant

Federal grant program for undergraduate students who demonstrate financial need and have not yet completed a baccalaureate degree.

Perkins Loan

Low-interest, subsidized federal loan (five percent) for students with exceptional financial need (as determined by the college).

PLUS Loans (Parent Loans for Undergraduate Students)

Federal loans available to parents of dependent undergraduate students to help finance their child's education. Parents may borrow up to the difference between education costs and financial aid received from a bank or other lending institution.

Preferred Lender List

A college's list of loan providers that they recommend to students.

Prepaid Tuition Plan

A college savings plan guaranteed to rise in value at the same rate as college tuition. Several states and institutions offer such programs.

Principal

The amount borrowed or owed on a loan.

Professional Judgement

For need-based federal aid programs, financial aid administrators can adjust the expected family contribution (EFC), or the cost of attendance (COA), or change the dependency status (with documentation) when extenuating circumstances exist (for example, if a parent becomes unemployed, disabled or deceased).

Promissory Note

A legally binding contract a student signs before receiving loan funds that details the terms of the loan and obligates the borrower to repay.

Satisfactory Academic Progress

A school's policy concerning the minimum number of courses that must be completed each semester, the maximum time frame, and the minimum GPA required to receive financial aid.

Scholarship

A form of financial assistance that does not require repayment or employment and which is usually offered to students who show potential for distinction, or who possess certain characteristics important to the scholarship provider (such as religious beliefs, hobbies, ethnicity, etc.).

Secondary Market

An organization that buys loans from lenders, which provides the lender with the capital to issue new loans.

Servicer

An organization that is paid by a lender to administer their student loan portfolio.

Simplified Needs Test

An alternate method of calculating the expected family contribution for families with adjusted gross incomes less than \$50,000, who have filed or are eligible to file an IRS Form 1040A or 1040EZ or who are not required to file an income tax return.

State Student Incentive Grants

States receive matching funds from the federal government to help fund this program for state residents.

Student Aid Report (SAR)

The official notification sent to students after submitting the FAFSA. Students may be required to submit this document to the college's financial aid office.

Student Contribution

A quantitative estimate of the student's ability to contribute to postsecondary education expenses. (Typically 35 percent of his or her savings and half of the student's summer earnings above \$1,750).

Subsidized Loan

A loan that student borrowers do not have to pay interest on until after their grace period expires.

Supplemental Education Opportunity Grant (SEOG)

Federal grant program for undergraduate students with exceptional need. SEOG grants up to \$4,000 are awarded by the school's financial aid office.

Title IV Programs

Federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. Includes Federal Pell Grants, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Perkins Loan, Federal Stafford Loan, Federal PLUS Loan, Direct Loan, Direct PLUS Loan and SSIG.

Undergraduate Student

A student who has not yet received a bachelor's degree.

Unmet Need

Difference between a student's total cost of attendance at a specific institution and the student's total available resources, including financial aid.

Unsubsidized Loan

A loan that student borrowers must pay all the interest on, including while they are enrolled.

Verification

The review process in which the financial aid officer requests documentation from a financial aid applicant to verify the accuracy of the application.

Work-Study

See Federal Work-Study for a description of the federally subsidized work-study program.